



The Real Estate TRENDS

JUNE 30
1948

Volume XVII

Copyright 1948 - by ROY WENZLICK & CO. - Saint Louis
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 29

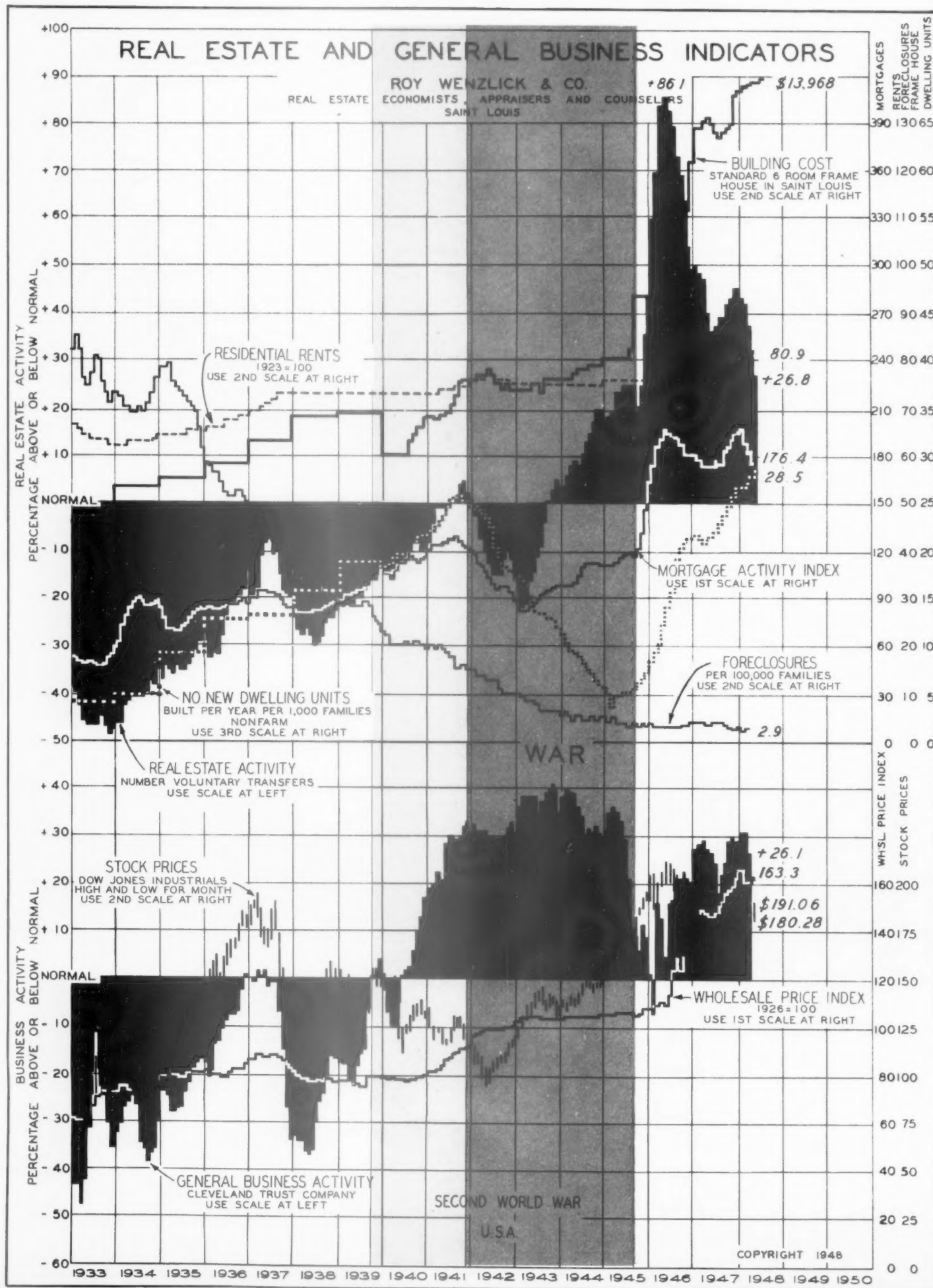
RESIDENTIAL CONSTRUCTION

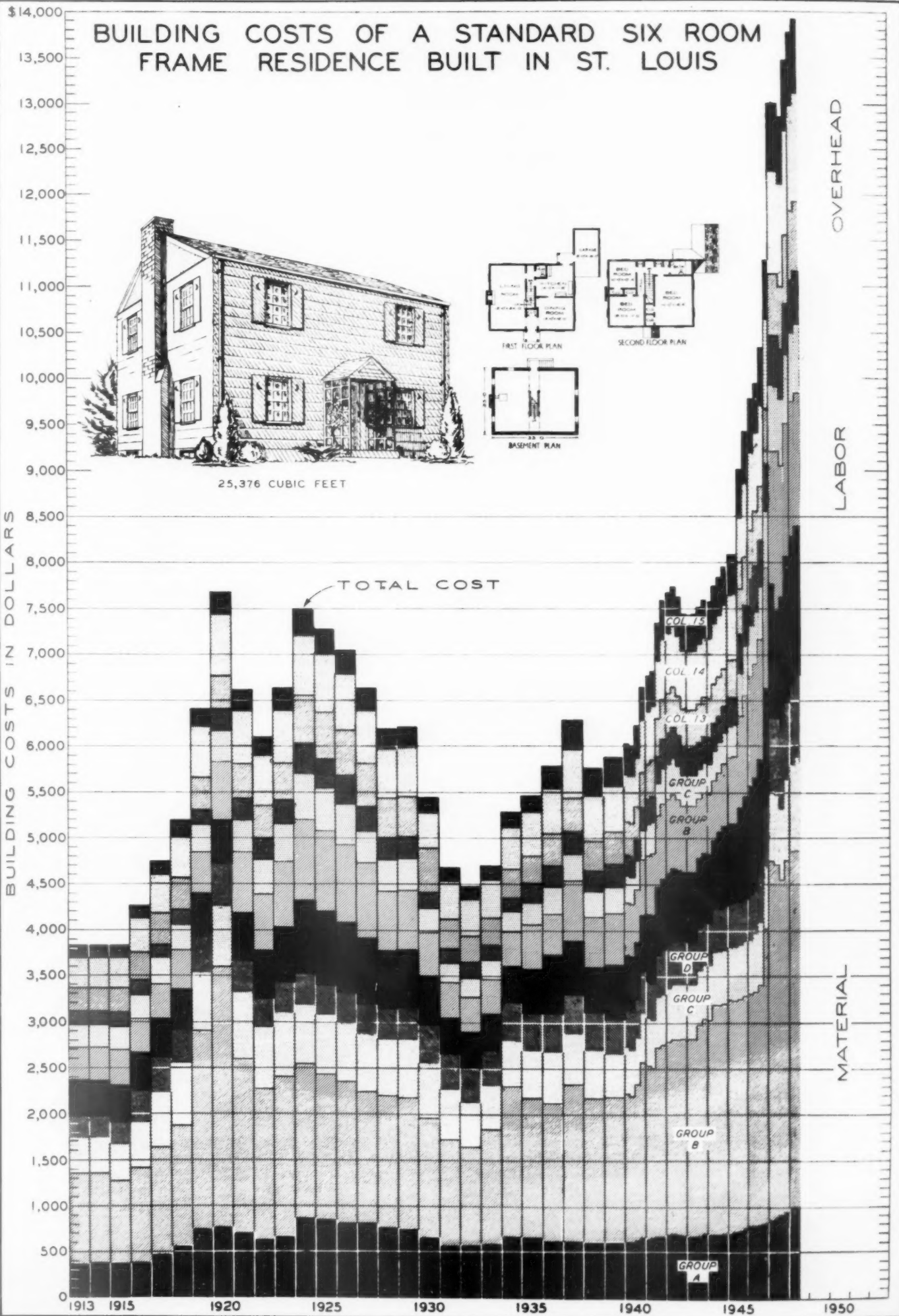
By far the fastest climbing indicator in the real estate field is the index of residential construction. As a matter of fact, it is the only major factor in real estate that is climbing at all. From June 1, 1947, through May 31, 1948, a total of 925,800 permanent nonfarm dwelling units were started. This is at a rate of 28.5 dwelling units per 1000 families per year. This rate has been rising steadily since July 1947 and is a much better indicator as to how our housing needs are being met than the actual number of dwelling units started. During 1925 we started 937,000 permanent nonfarm dwelling units. This was our biggest year in residential construction, and the rate of construction for that year was 46.6 units for every 1000 families. In other words, we started 466 dwelling units for every 10,000 nonfarm families in the United States. If we continue to stay as far ahead of the 1947 totals as we have during the first five months (the first five months of 1948 are 30 per cent ahead of the first five months of 1947), we will start approximately 1,100,000 nonfarm dwelling units in 1948. This will be far in excess of the 1925 total, but will provide housing facilities for only about 335 families out of each 10,000 nonfarm families.

While the present housing shortage has worked considerable hardship, we believe that this hardship has come more from an uneconomical use of existing facilities than from an actual deficit in the number of housing units. We believe that for the most part the unfavorable, negative side of the housing picture has been presented and that the housing industry and the real estate men have been unnecessarily and unfairly censured. In 1940 there were approximately 30,000,000 nonfarm families in the United States; by 1947 this number had grown to 35,600,000 families, an increase of 5.6 million. During that period we built 4,077,000 nonfarm dwelling units. This apparently leaves a deficit of about 1-1/2 million units, and the housing industry has been belabored for holding back on its production. During this same period, however, the number of single adults occupying living quarters alone in nonfarm areas increased by almost 300,000. The majority of these people moved into private quarters because controlled rents made the move attractive. While complete statistics are not available on housing space occupied by various sized families, indications are that this same condition exists right on down the line. Any change that will increase the rent or decrease the income will see many of these families contracting their living quarters and will see a marked improvement in the housing shortage.

REAL ESTATE ACTIVITY

Real estate activity slipped down another few notches in May. The reading now stands at 26.8 points above the long-range computed normal. When this latest decline began in November 1947, the index stood at 45.1. Since then, revised figures show the following: December, 44.8; January 1948, 42.8; February, 42.1; March, 37.1; April, 32.0; and May, 26.8.





BUILDING COSTS OF A STANDARD SIX ROOM FRAME HOUSE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter **M**; corresponding labor items, in red by the letter **L**. No labor items are shown in Column 10, **Building Hardware**, as they have already been included in Column 5, **Millwork**.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster face and common brick, fire brick, flue lining.
(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.
(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.
(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Boiler, insulating jackets, fittings, tools, pipes, connections, valves and

radiation.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv iron (present) gutters, downspouts, flashing.
(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.
(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.
(11) Painting: White lead, linseed oil, turpentine.
(12) Miscellaneous: Metal and wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.
(14) General contractor's profit.
(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.
(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

| Year | GROUP A | | | | GROUP B | | | | GROUP C | | | | GROUP D | | | | GROUP E | | | | TOTAL | | | | | | | | | |
|---------|---------|-------|------|------|---------|-------|-------|-------|---------|-------|-------|-------|---------|-------|------|------|---------|------|------|------|-------|------|------|--------|--------|-------|-------|-------|-------|--------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | Total | (13) | (14) | (15) | (16) | | | | | | | | | | | | | |
| 1913 | \$343 | \$388 | \$24 | \$13 | \$218 | \$101 | \$428 | \$134 | \$350 | \$121 | \$152 | \$136 | \$231 | \$110 | \$65 | \$12 | \$36 | \$49 | \$59 | \$16 | \$64 | \$51 | \$18 | \$1973 | \$1146 | \$248 | \$337 | \$132 | \$717 | \$3836 |
| 1914 | 362 | 388 | 24 | 13 | 212 | 101 | 415 | 134 | 349 | 121 | 147 | 136 | 248 | 110 | 59 | 12 | 32 | 49 | 59 | 16 | 64 | 50 | 18 | 1973 | 1146 | 248 | 337 | 132 | 717 | 3836 |
| 1915 | 360 | 388 | 24 | 13 | 189 | 108 | 373 | 145 | 329 | 131 | 152 | 144 | 249 | 116 | 68 | 12 | 38 | 52 | 64 | 17 | 69 | 48 | 19 | 1911 | 1197 | 257 | 337 | 135 | 729 | 3837 |
| 1916 | 366 | 396 | 24 | 13 | 224 | 108 | 438 | 145 | 363 | 131 | 203 | 144 | 309 | 116 | 101 | 12 | 55 | 52 | 86 | 22 | 69 | 59 | 19 | 2250 | 1205 | 295 | 375 | 142 | 812 | 4267 |
| 1917 | 456 | 413 | 25 | 14 | 258 | 109 | 500 | 146 | 396 | 132 | 244 | 152 | 359 | 122 | 108 | 12 | 59 | 54 | 110 | 26 | 69 | 69 | 19 | 2610 | 1242 | 325 | 418 | 152 | 895 | 4747 |
| 1918 | 539 | 421 | 25 | 15 | 292 | 118 | 570 | 158 | 449 | 143 | 322 | 152 | 359 | 124 | 95 | 14 | 52 | 54 | 118 | 30 | 75 | 73 | 21 | 2924 | 1295 | 346 | 457 | 163 | 966 | 5185 |
| 1919 | 624 | 453 | 25 | 15 | 519 | 128 | 1008 | 170 | 729 | 154 | 290 | 160 | 349 | 130 | 83 | 15 | 45 | 57 | 113 | 31 | 81 | 112 | 23 | 3928 | 1386 | 342 | 566 | 187 | 1095 | 6409 |
| 1920 | 742 | 463 | 28 | 17 | 607 | 183 | 1189 | 243 | 1030 | 220 | 305 | 184 | 372 | 150 | 83 | 21 | 46 | 66 | 143 | 36 | 116 | 132 | 32 | 4713 | 1695 | 366 | 677 | 227 | 1270 | 7678 |
| 1921 | 674 | 501 | 25 | 18 | 479 | 188 | 920 | 250 | 506 | 225 | 273 | 192 | 460 | 156 | 64 | 22 | 35 | 89 | 94 | 30 | 119 | 104 | 33 | 3664 | 1773 | 372 | 581 | 215 | 1168 | 6605 |
| 1922 | 609 | 506 | 25 | 18 | 362 | 174 | 703 | 232 | 571 | 209 | 258 | 204 | 433 | 166 | 64 | 20 | 35 | 73 | 79 | 28 | 111 | 81 | 31 | 3248 | 1744 | 370 | 536 | 205 | 1111 | 6103 |
| 1923 | 633 | 576 | 25 | 21 | 410 | 200 | 793 | 268 | 551 | 242 | 267 | 227 | 430 | 184 | 70 | 23 | 38 | 81 | 94 | 28 | 128 | 90 | 36 | 3429 | 1986 | 407 | 582 | 228 | 1217 | 6632 |
| 1924 | 618 | 703 | 251 | 108 | 401 | 246 | 779 | 328 | 492 | 296 | 274 | 277 | 388 | 224 | 64 | 28 | 35 | 100 | 97 | 35 | 156 | 87 | 44 | 3521 | 2510 | 527 | 656 | 274 | 1457 | 7488 |
| 1925 | 606 | 684 | 251 | 108 | 375 | 251 | 732 | 335 | 472 | 302 | 273 | 255 | 381 | 207 | 68 | 29 | 37 | 92 | 89 | 37 | 159 | 83 | 45 | 3404 | 2467 | 508 | 638 | 267 | 1413 | 7284 |
| 1926 | 566 | 653 | 251 | 108 | 379 | 240 | 732 | 320 | 432 | 288 | 264 | 244 | 381 | 197 | 69 | 27 | 37 | 87 | 86 | 36 | 152 | 83 | 43 | 3316 | 2359 | 499 | 617 | 254 | 1370 | 7045 |
| 1927 | 565 | 621 | 251 | 108 | 354 | 228 | 715 | 304 | 358 | 275 | 251 | 184 | 395 | 159 | 67 | 26 | 37 | 66 | 84 | 33 | 145 | 80 | 41 | 3190 | 2157 | 469 | 582 | 237 | 1288 | 6635 |
| 1928 | 563 | 541 | 208 | 97 | 406 | 184 | 644 | 244 | 377 | 220 | 261 | 184 | 382 | 151 | 71 | 21 | 39 | 66 | 85 | 31 | 116 | 74 | 32 | 3141 | 1856 | 438 | 544 | 213 | 1195 | 6192 |
| 1929 | 563 | 541 | 185 | 97 | 360 | 184 | 687 | 244 | 384 | 220 | 270 | 184 | 385 | 151 | 82 | 21 | 45 | 66 | 89 | 33 | 116 | 71 | 32 | 3156 | 1856 | 438 | 545 | 213 | 1196 | 6208 |
| 1930 | 474 | 422 | 185 | 97 | 340 | 135 | 655 | 181 | 312 | 164 | 251 | 140 | 341 | 114 | 71 | 15 | 39 | 50 | 72 | 33 | 87 | 211 | 24 | 2984 | 1429 | 380 | 479 | 175 | 1034 | 5447 |
| 1931 | 411 | 342 | 155 | 57 | 313 | 108 | 594 | 145 | 254 | 131 | 286 | 112 | 322 | 91 | 58 | 12 | 32 | 40 | 61 | 31 | 70 | 198 | 39 | 2655 | 1147 | 317 | 412 | 146 | 875 | 4677 |
| 1932 | 438 | 342 | 139 | 51 | 268 | 108 | 532 | 145 | 269 | 131 | 210 | 112 | 286 | 91 | 50 | 12 | 28 | 40 | 60 | 28 | 70 | 199 | 39 | 2507 | 1141 | 295 | 395 | 142 | 832 | 4480 |
| 1933 | 457 | 342 | 130 | 51 | 355 | 108 | 562 | 145 | 344 | 131 | 208 | 112 | 270 | 91 | 52 | 12 | 28 | 40 | 54 | 26 | 70 | 214 | 39 | 2700 | 1141 | 291 | 413 | 146 | 850 | 4691 |
| 1934 | 540 | 342 | 122 | 51 | 439 | 108 | 713 | 145 | 494 | 131 | 234 | 112 | 279 | 91 | 55 | 12 | 30 | 40 | 63 | 26 | 70 | 222 | 39 | 3217 | 1141 | 299 | 466 | 154 | 919 | 5277 |
| 1935 | 508 | 422 | 111 | 67 | 399 | 135 | 638 | 181 | 523 | 164 | 236 | 140 | 292 | 114 | 43 | 15 | 24 | 50 | 62 | 26 | 87 | 229 | 47 | 3091 | 1422 | 300 | 481 | 174 | 955 | 5468 |
| 1936 | 506 | 490 | 111 | 67 | 384 | 159 | 655 | 209 | 494 | 188 | 255 | 160 | 301 | 131 | 50 | 19 | 28 | 57 | 59 | 27 | 98 | 221 | 53 | 3071 | 1631 | 344 | 505 | 239 | 1088 | 5790 |
| 1937 | 503 | 512 | 111 | 67 | 395 | 186 | 742 | 245 | 578 | 221 | 247 | 160 | 326 | 141 | 54 | 22 | 29 | 57 | 64 | 31 | 104 | 226 | 53 | 3306 | 1768 | 363 | 544 | 310 | 1217 | 6291 |
| 1938 | 508 | 425 | 103 | 67 | 350 | 157 | 647 | 204 | 571 | 179 | 241 | 160 | 297 | 134 | 47 | 19 | 26 | 57 | 66 | 28 | 68 | 222 | 42 | 3106 | 1532 | 333 | 494 | 306 | 1133 | 5771 |
| 1939 | 513 | 525 | 103 | 77 | 360 | 159 | 660 | 211 | 513 | 190 | 239 | 160 | 277 | 133 | 49 | 19 | 27 | 57 | 64 | 29 | 109 | 192 | 56 | 3026 | 1696 | 344 | 505 | 323 | 1172 | 5894 |
| Ja 1940 | 510 | 538 | 103 | 77 | 374 | 158 | 679 | 215 | 587 | 195 | 236 | 160 | 282 | 131 | 58 | 17 | 32 | 57 | 65 | 30 | 93 | 193 | 61 | 3129 | 1702 | 352 | 516 | 327 | 1195 | 6026 |
| Ap 1940 | 510 | 538 | 103 | 77 | 371 | 158 | 651 | 215 | 566 | 195 | 236 | 160 | 285 | 131 | 63 | 17 | 35 | 57 | 65 | 30 | 93 | 193 | 61 | 3108 | 1702 | 352 | 516 | 327 | 1195 | 6005 |
| Ja 1940 | 510 | 538 | 103 | 77 | 371 | 158 | 651 | 215 | 566 | 195 | 236 | 160 | 285 | 131 | 63 | 17 | 35 | 57 | 65 | 30 | 93 | 193 | 61 | 3108 | 1702 | 352 | 516 | 327 | 1195 | 6005 |
| O 1940 | 510 | 542 | 145 | 86 | 494 | 162 | 763 | 218 | 628 | 197 | 254 | 160 | 294 | 161 | 63 | 17 | 31 | 57 | 66 | 32 | 93 | 203 | 75 | 3482 | 1768 | 385 | 564 | 351 | 1300 | 6551 |
| Ja 1941 | 515 | 640 | 145 | 86 | 493 | 182 | 808 | 243 | 645 | 219 | 242 | 160 | 286 | 161 | 62 | 19 | 28 | 58 | 67 | 33 | 104 | 203 | 78 | 3507 | 1950 | 380 | 585 | 375 | 1340 | 6797 |
| Ap 1941 | 487 | 639 | 159 | 86 | 493 | 182 | 771 | 243 | 633 | 219 | 251 | 180 | 274 | 149 | 62 | 19 | 28 | 63 | 69 | 33 | 131 | 202 | 79 | 3432 | 1990 | 396 | 581 | 378 | 1353 | 6775 |
| Ja 1941 | 510 | 650 | 159 | 86 | 553 | 220 | 802 | 279 | 635 | 252 | 250 | 180 | 274 | 149 | 60 | 19 | 27 | 63 | 72 | 34 | 131 | 220 | 79 | 3626 | 2108 | 396 | 613 | 397 | 1406 | 7140 |
| O 1941 | 514 | 678 | 159 | 86 | 544 | 226 | 861 | 303 | 689 | 274 | 262 | 200 | 289 | 187 | 106 | 29 | 34 | 72 | 80 | 35 | 145 | 227 | 79 | 3800 | 2279 | 433 | 650 | 424 | 1507 | 7586 |
| Ja 1942 | 514 | 696 | 175 | 86 | 536 | 231 | 854 | 305 | 689 | 275 | 262 | 200 | 314 | 187 | 64 | 29 | 48 | 72 | 79 | 35 | 145 | 229 | 81 | 3799 | 2307 | 431 | 653 | 427 | 1511 | 7617 |
| Ap 1942 | 520 | 696 | 175 | 86 | 547 | 231 | 876 | 305 | 715 | 275 | 273 | 200 | 317 | 187 | 64 | 29 | 50 | 72 | 79 | 38 | 145 | 229 | 81 | 3883 | 2307 | 431 | 663 | 429 | 1525 | 7717 |
| Ja 1942 | 520 | 696 | 175 | 86 | 540 | 233 | 874 | 307 | 715 | 276 | 273 | 200 | 317 | 198 | 72 | 29 | 50 | 86 | 79 | 38 | 145 | 229 | 75 | 3882 | 2331 | 435 | 668 | 427 | 1530 | 7743 |
| O 1942 | 520 | 688 | 162 | 86 | 558 | 207 | 884 | 274 | 715 | 248 | 273 | 180 | 317 | 149 | 56 | 29 | 50 | 65 | 79 | 38 | 130 | 229 | 75 | 3881 | 2111 | 419 | 639 | 403 | 1461 | 7453 |
| Ja 1943 | 520 | 688 | 151 | 86 | 561 | 207 | 884 | 274 | 715 | 248 | 273 | 180 | 317 | 149 | 56 | 29 | 50 | 65 | 79 | 38 | 130 | 229 | 75 | 3873 | 2111 | 419 | 639 | 402 | 1460 | 7444 |
| Ap 1943 | 520 | 688 | 151 | 86 | 561 | 207 | 884 | 274 | 715 | 248 | 273 | 180 | 317 | 149 | 56 | 29 | 50 | 65 | 79 | 38 | 130 | 229 | 75 | 3873 | 2111 | 419 | 639 | 402 | 1460 | 7444 |
| Ja 1943 | 520 | 648 | 151 | 99 | 561 | 189 | 884 | 247 | 715 | 222 | 273 | 180 | 317 | 149 | 56 | 20 | 50 | 63 | 79 | 38 | 130 | 223 | 75 | 3867 | 2022 | 422 | 631 | 393 | 1446 | 7335 |
| O 1943 | 528 | 648 | 151 | 99 | 562 | 189 | 1005 | 247 | 715 | 222 | 273 | 180 | 317 | 149 | 56 | 20 | 50 | 63 | 79 | 38 | 130 | 238 | 75 | 4112 | 2022 | 422 | 656 | 398 | 1476 | 7610 |
| Ja 1944 | 528 | 648 | 175 | 99 | 662 | 189 | 1003 | 247 | 663 | 222 | 273 | 180 | 317 | 149 | 56 | 20 | 50 | 63 | 79 | 38 | 130 | 238 | 75 | 4082 | 2022 | 422 | 653 | 398 | 1473 | 7577 |
| Ap 1944 | 528 | 648 | 175 | 99 | 700 | 189 | 1109 | 247 | 663 | 222 | 273 | 180 | 317 | 149 | 56 | 20 | 50 | 63 | 79 | 38 | 130 | 238 | 75 | 4226 | 2022 | 422 | 667 | 400 | 1489 | 7737 |
| Ja 1944 | 528 | 648 | 175 | 99 | 700 | 1 | | | | | | | | | | | | | | | | | | | | | | | | |

While this level of activity is far below the dizzy height of 86.1 reached in May 1946, it is about on a par with the activity of mid-1926, and is considerably above that of 1927 and 1928.

REAL ESTATE MORTGAGE ACTIVITY

Real estate mortgage activity has also been falling rather abruptly in the past few months. Since its January figure of 198.3, it has fallen 21.9 points to an April reading of 176.4. We have recently finished a survey of 20 large metropolitan areas to determine the amount of the average mortgage during April 1946, 1947 and 1948. The April 1946 sample included 25,000 mortgages in an amount of over \$165 million, for an average of \$6,600. The April 1947 sample covered 29,000 mortgages for \$198 million, with an average amount of \$6,850. The April 1948 sample covered 34,000 mortgages for \$241 million, with an average of \$7,060. The fact that residential construction costs have increased about 35 per cent since April 1946, while the average mortgage amount has increased only 7 per cent, may indicate the gradual tightening of financing terms and more realistic appraisals in the past few months.

The following table of new mortgage loans made by all savings and loan associations shows that construction loans to operative builders and owner builders are playing an increasingly important part in mortgage activity.

| | Construction Loans | Home Purchase | Refinancing | Reconditioning | All Other Purposes |
|------|-----------------------|------------------|-------------|----------------|-----------------------|
| 1944 | 6.5% | 73.2% | 11.3% | 2.1% | 6.9% |
| 1945 | 9.4% | 71.0% | 10.3% | 2.1% | 7.2% |
| 1946 | 17.2% | 65.7% | 7.5% | 2.3% | 7.3% |
| 1947 | 23.4% | 55.8% | 8.3% | 3.4% | 9.0% |

The fact that the percentage of home purchase loans is dropping, while construction loans are increasing, indicates that the percentage of old homes being bought is declining, while the percentage of new homes being bought is increasing. Another trend is intimated by the increasing percentage of loans for reconditioning and other purposes, and the increase in 1947 over 1946 for refinancing loans. Evidently more people are deciding to fix up or refinance their old house rather than buy another one.

FORECLOSURES

Foreclosures declined once again in January 1948 to 2.7 per 100,000 nonfarm families, but in February and March inched up to 2.8 and 2.9, respectively. There continues to be very little significance in the foreclosure index. Foreclosures do not always soar to peaks in real estate depressions. They did in the depression of the late 1870's, and they did again in the last depression - and in all probability they will in the next depression. The reason for these high peaks in foreclosures is that the loans were made in a period of inflated real estate values. In the 1860's and again in the 1920's and in the 1940's real estate values underwent a tremendous price inflation. These past periods have been followed by rapid rises in foreclosures at the end of the boom. In the real estate booms of 1890 and 1905 there was practically no inflation, and foreclosures remained quite low. From these observations, it certainly appears that the foreclosure index will rise sharply shortly after the present boom ends, and that the HOLC is sure to enter the picture once again.

CONSTRUCTION COSTS

The cost of building our standard six-room frame house in St. Louis for the month of June was \$13,968, an increase of \$75 over the May figure. About one-half of this increase was caused by an increase in the price of beveled siding, and the other one-half was caused by an increase in the price of cast iron radiation.

Since December 1947 there have been only two increases in the price of the rough and finished lumber used in this house. One was an increase a few months ago in the price of red oak flooring, and the other, the increase mentioned above in beveled siding. The prices we use are dealer-to-contractor, delivered-to-the-job prices. Our guess is that lumber and other building material prices are very close to their peak and that some time before the end of the year they will start to decline.

RENTS

Since the decontrol of rents on new construction, the rent index has risen from 76.0 to 80.9, an increase of 6-1/2 per cent. This still leaves the general rent level of the country approximately 19 per cent below the 1923 level. There seems to be very little chance of getting rid of rent control for several years. Our guess is that some form of Federal rent control will be with us until 1950 or 1951.